Kgetlengrivier Local Municipality
Financial statements
for the year ended 30 June 2013

General Information

Nature of business and principal activities	Providing Municipal services to the local community of Koster, Derby and Swartruggens
Mayoral committee	
Mayor / Speaker	Cllr. O.D Medupe
Councillors	Cllr. A.V.R Kgari Cllr. K.R Lekabe Cllr. B.V.Z Marais Cllr. M.L Molefe Cllr. O.S Molusi Cllr. J.P Snyman Cllr. P.S Robinson Cllr. P.J Selolo Cllr. P.P Sesika Cllr. P.R Zwede Cllr. K.K. Tlale
Grading of local authority	2
Accounting Officer	S. Ngwenya
Chief Finance Officer (CFO)	T.B Mothogoane
Business address	Cnr Smuts & De Wet Koster 0348
Bankers	ABSA Bank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PIG	Provincial Infrastructure Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on page , which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

S. Ngwenya
Acting Municipal Manager

KOSTER

30 August 2013

Kgetlengrivier Local Municipality
Financial Statements for the year ended 30 June 2013

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community in Koster, Derby and Swartruggens and operates principally in South Africa .

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Kgetlengrivier Local Municipality is a low capacity municipality and falls under the Bojanala District Municipality.

2. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated deficits of R - and that the municipality's total assets exceed its liabilities by R -.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None have been identified.

5. Accounting policies

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Issued but not yet effective	Standard Applied
GRAP 18 - Segment Reporting	Not applicable
GRAP 21 - Impairment of non-cash-generating assets	IAS 36
GRAP 23 - Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 25 - Employee Benefits	IAS 19
GRAP 26 - Impairment of cash generating assets	IAS 36
GRAP 103 - Heritage Assets	Not applicable

The financial statements are prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board. In accordance with section 122(3) of the Muncipal Finance Management Act, (Act No. 56 of 2003)

Statement of Financial Position as at 30 June 2013

Figures in Rand	Notes	2013	2012
Assets			
Current Assets			
Inventories	2	1 269 440	3 376 434
Other financial assets	3	5 318 080	4 723 376
Receivables from exchange transactions	4	640 554	640 554
Receivables from non-exchange transactions	5	205 436	715 093
VAT receivable	6	1 220 069	674 642
Consumer debtors	7	29 830 656	31 304 796
Cash and cash equivalents	8	7 107 197	13 028 504
		45 591 432	**54 463 399**
Non-Current Assets			
Property, plant and equipment	9	170 316 076	165 899 899
Other financial assets	3	20 124	20 124
		170 336 200	**165 920 023**
Non-current assets held for sale and assets of disposal groups		3 140 000	3 140 000
Total Assets		**219 067 632**	**223 523 422**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	25 310 220	28 068 493
Consumer deposits	11	1 642 295	1 370 818
Retirement benefit obligation	18	11 691 000	12 224 000
Unspent conditional grants and receipts	12	9 625 590	27 176 263
Provisions and Contingencies	13	12 667 194	5 810 275
Unidentified direct deposits	14	9 258 121	(851 955)
		70 194 420	**73 797 894**
Non-Current Liabilities			
Unidentified direct deposits	14	3 705 000	-
Total Liabilities		**73 899 420**	**73 797 894**
Net Assets		**145 168 212**	**149 725 528**
Net Assets			
Reserves			
Revaluation reserve	19	478 361	478 361
Capital replacement reserve		200 557	-
Accumulated surplus		144 489 294	149 247 167
Total Net Assets		**145 168 212**	**149 725 528**

Statement of Financial Performance

Figures in Rand	Notes	2013	2012
Revenue	20	94 042 336	89 902 493
Other income		10 364 513	14 013 388
Operating expenses		(134 378 256)	(111 947 071)
Operating deficit		**(29 971 407)**	**(8 031 190)**
Finance costs	30	-	(42 857)
Deficit for the year		**(29 971 407)**	**(8 074 047)**
Attributable to:			
Owners of the controlling entity		(29 971 407)	(8 074 047)

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2011	-	-	-	**127 803 259**	**127 803 259**
Changes in net assets					
Revaluation adjustment	478 361	-	478 361	-	478 361
Prior year adjustment	-	-	-	29 517 955	29 517 955
Net income (losses) recognised directly in net assets	478 361	-	478 361	29 517 955	29 996 316
Surplus for the year	-	-	-	(8 074 047)	(8 074 047)
Total recognised income and expenses for the year	478 361	-	478 361	21 443 908	21 922 269
Total changes	478 361	-	478 361	21 443 908	21 922 269
Balance at 01 July 2012	**478 361**	**200 557**	**678 918**	**174 600 773**	**175 279 691**
Changes in net assets					
Impairment losses on revalued capital assets	-	-	-	(140 072)	(140 072)
Net income (losses) recognised directly in net assets	-	-	-	(140 072)	(140 072)
Surplus for the year	-	-	-	(29 971 407)	(29 971 407)
Total recognised income and expenses for the year	-	-	-	(30 111 479)	(30 111 479)
Total changes	-	-	-	(30 111 479)	(30 111 479)
Balance at 30 June 2013	**478 361**	**200 557**	**678 918**	**144 489 294**	**145 168 212**
Note(s)	19				

Kgetlengrivier Local Municipality
Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		34 700 163	78 892 601
Interest income		-	14 013 389
Other receipts		11 014 074	13 880 235
		45 714 237	106 786 225
Payments			
Employee costs		(36 334 965)	(34 908 040)
Suppliers		(12 800 641)	(45 659 534)
Finance costs		-	(42 857)
Other payments		(15 592 598)	-
		(64 728 204)	(80 610 431)
Net cash flows from operating activities	15	**(19 013 967)**	**26 175 794**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(127 712)	(4 895 423)
Proceeds from sale of financial assets		(594 704)	10 504 132
Proceeds from sale of other asset		-	13 903
Other cash item		-	(5 814 014)
Net cash flows from investing activities		**(722 416)**	**(191 402)**
Cash flows from financing activities			
Movement in unidentified direct deposits		13 815 076	(5 062 554)
Other cash item		-	(13 341 630)
Net cash flows from financing activities		**13 815 076**	**(18 404 184)**
Net increase/(decrease) in cash and cash equivalents		**(5 921 307)**	**7 580 208**
Cash and cash equivalents at the beginning of the year		13 028 504	5 448 296
Cash and cash equivalents at the end of the year	8	**7 107 197**	**13 028 504**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions. Provisions are measured using managements best estimates of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effects are material. Reliance was based on expert knowledge.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

1.3 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Accounting Policies

1.3 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	25 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer software	3 years
Infrastructure	
• Roads and Paving	3- 80 years
• Pedestrian Malls	3-80 years
• Electricity	3-60 years
• Water	5-80 years
Community	
• Buildings	5-25 years
• Recreational Facilities	25 years
• Security Halls	25 years
• Libraries	25 years
• Parks and Gardens	25 years
• Other Assets	25 years
Other property, plant and equipment	
• Other Vehicles	5 years
• Specialised Plant and Equipment	5 years
• Landfill Sites	30 years
• Other items of Plant and Equipment	5 years
• Quarries Emergency Equipment	10 years
Bins and containers	
• Watercraft Bins and Containers	5 years
Finance Lease Assets	
• Office Equipment	3 years
• Other Assets	5 years
Specialised vehicles	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Accounting Policies

1.3 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

1.4 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.4 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Licenses and franchises	3 years
Computer software, other	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each 30 June 2013 the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.5 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

1.5 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Tax

VAT

The entity accounts for VAT on the cash basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

1.7 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.11 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to 30 June 2013 where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The Municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.12 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Accounting Policies

1.12 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service Charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwellings on each property and the connections, using the tariffs approved by Council and are levied monthly.

Other Revenue

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Services in-kind

Services in-kind are recognised as revenue and as assets.Services in-kind are services provided by individuals to the municipality in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. These assets are, however, immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind.
The municipality may be a recipient of services in-kind under voluntary or non-voluntary schemes operated in the public interest, for example:
(a) Technical assistance from other governments or international organisations;
(b) local governments may receive the services of volunteer fire fighters.
Due to the many uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, the municipality did not recognise any services in-kind however the services in-kind will be disclosed in the notes to the financial statements.
The disclosures will assist users to make informed judgements about the contribution made by such services to the achievement of the entity's objectives during the reporting period, and the entity's dependence on such services for the achievement of its objectives in the future

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Accounting Policies

1.18 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These financial statements are presented in South African Rand.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Accounting Policies

1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012-07-01 to 2013-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Figures in Rand	2013	2012

2. Inventories

Water consumables	625 240	487 810
Stock General	205 514	213 646
Rubbish bins	438 686	2 674 978
	1 269 440	**3 376 434**

During the year rubbish bins to the value of R 2 236 392 were donatated to the community in and around Kgetlengrivier local municipality.

Inventory pledged as security

No inventory was pledged as security.

3. Other financial assets

Non-current assets		
At amortised cost	20 124	20 124
Current assets		
At amortised cost	5 318 080	4 723 376

4. Receivables from exchange transactions

Trade debtors	640 554	640 554

Trade and other receivables pledged as security

No trade and other receivables were pledged as security.

5. Receivables from non-exchange transactions

Fines	85 162	86 221
Government grants and subsidies	-	281 869
Other receivables from non-exchange revenue	120 274	347 003
	205 436	**715 093**

6. VAT receivable

VAT	1 220 069	674 642

The municipality is registered on the cash basis. This means Vat is paid over to SARS only once cash is received or actual payments are made.

7. Consumer debtors

Gross balances		
Rates	4 745 304	7 108 098
Electricity	15 398 503	13 632 313
Water	19 694 304	23 896 077
Sewerage	8 610 791	12 540 248
Refuse	4 868 262	7 542 679
Other (specify)	27 372 435	31 494 610
	80 689 599	**96 214 025**

Notes to the Financial Statements

Figures in Rand	2013	2012

7. Consumer debtors (continued)

Less: Allowance for impairment		
Rates	(3 093 131)	(5 543 247)
Electricity	(9 494 407)	(6 375 875)
Water	(12 306 620)	(17 195 226)
Sewerage	(5 517 386)	(8 783 044)
Refuse	(3 175 118)	(5 290 381)
Other (specify)	(17 272 281)	(21 721 456)
	(50 858 943)	**(64 909 229)**

Net balance		
Rates	1 652 173	1 564 851
Electricity	5 904 096	7 256 438
Water	7 387 684	6 700 851
Sewerage	3 093 405	3 757 204
Refuse	1 693 144	2 252 298
Other (specify)	10 100 154	9 773 154
	29 830 656	**31 304 796**

Rates		
Current (0 -30 days)	(83 338)	57 790
31 - 60 days	295 846	176 052
61 - 90 days	266 454	165 624
91 - 120 days	145 165	161 117
121 - 365 days	1 028 046	1 004 268
	1 652 173	**1 564 851**

Electricity		
Current (0 -30 days)	2 261 040	3 091 003
31 - 60 days	1 298 840	650 002
61 - 90 days	698 681	537 592
91 - 120 days	1 645 535	2 977 841
	5 904 096	**7 256 438**

Water		
Current (0 -30 days)	142 171	387 801
31 - 60 days	392 455	398 088
61 - 90 days	447 777	339 215
91 - 120 days	323 471	373 911
121 - 365 days	6 081 810	5 201 836
	7 387 684	**6 700 851**

Sewerage		
Current (0 -30 days)	105 251	281 935
31 - 60 days	212 095	197 508
61 - 90 days	204 732	191 491
91 - 120 days	195 748	188 357
121 - 365 days	2 375 579	2 897 913
	3 093 405	**3 757 204**

Notes to the Financial Statements

Figures in Rand	2013	2012

7. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	55 318	158 360
31 - 60 days	115 029	107 826
61 - 90 days	111 561	105 244
91 - 120 days	109 144	104 323
121 - 365 days	1 302 092	1 776 545
	1 693 144	**2 252 298**

Other (specify)		
Current (0 -30 days)	(19 181 394)	522 572
31 - 60 days	917 625	1 176 774
61 - 90 days	825 839	1 263 918
91 - 120 days	1 151 155	1 245 314
121 - 365 days	26 386 929	5 564 576
	10 100 154	**9 773 154**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(64 909 229)	(95 898 489)
Contributions to allowance	45 109 147	30 989 260
Debt impairment written off against allowance	(31 058 861)	-
	(50 858 943)	**(64 909 229)**

Consumer debtors pledged as security

No Consumer Debtors were pledged as security during the year under review.

Notes to the Financial Statements

Figures in Rand	2013	2012

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	551	16 103
Bank balances	1 174 600	541 866
Short-term deposits	5 898 145	12 470 535
Other cash and cash equivalents	33 901	-
	7 107 197	**13 028 504**

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.

Management of the municipality is of the opinion that the carrying value of the bank balance and cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of bank balance and cash were determined after considering the standard terms and conditions of agreements entered into betweeen the municipality and the financial institutions.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2013	**30 June 2012**	**30 June 2011**	**30 June 2013**	**30 June 2012**	**30 June 2011**
ABSA- 17-0000-0032	1 174 600	541 866	2 219 278	1 174 600	541 866	868 663
ABSA - 40-6946-5550	3 620 988	10 103 806	-	-	-	-
ABSA - 40-7406-9151	12 600	80 940	50 578	-	-	-
ABSA - 40-7406-9020	2 720	82 926	-	-	-	-
ABSA - 40-6045-1122	235 457	235 457	27 073	-	-	-
Bank- Fire Emergency	-	40 211	40 211	-	-	-
Total	**5 046 365**	**11 085 206**	**2 337 140**	**1 174 600**	**541 866**	**868 663**

9. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	36 328 720	(21 046 201)	15 282 519	36 328 720	(20 718 560)	15 610 160
Infrastructure	212 772 274	(85 421 324)	127 350 950	193 300 158	(75 894 411)	117 405 747
Community	5 583 760	(3 103 761)	2 479 999	5 583 760	(2 933 580)	2 650 180
Investment property	15 969 360	-	15 969 360	15 969 360	-	15 969 360
Other assets	17 496 672	(8 263 424)	9 233 248	19 869 697	(5 605 245)	14 264 452
Total	**288 150 786**	**(117 834 710)**	**170 316 076**	**271 051 695**	**(105 151 796)**	**165 899 899**

Notes to the Financial Statements

Figures in Rand	2013	2012

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Work-in-progress	Correction of Opening balances	Depreciation	Impairment loss	Total
Land and Buildings	15 610 160	-	-	-	(327 641)	-	15 282 51
Infrastructure	117 405 747	-	19 482 500	(9 537 297)	-	-	127 350 95
Community	2 650 180	-	-	-	(170 181)	-	2 479 99
Investment property	15 969 360	-	-	-	-	-	15 969 36
Other assets	14 264 452	127 712	-	(2 178 178)	(2 840 666)	(140 072)	9 233 24
	165 899 899	**127 712**	**19 482 500**	**(11 715 475)**	**(3 338 488)**	**(140 072)**	**170 316 07**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Land and Buildings	15 941 363	-	(331 203)	15 610 160
Infrastructure	126 943 884	-	(9 538 137)	117 405 747
Community	2 820 361	-	(170 181)	2 650 180
Investment property	15 969 360	-	-	15 969 360
Other assets	13 053 202	4 895 423	(3 684 173)	14 264 452
	174 728 170	**4 895 423**	**(13 723 694)**	**165 899 899**

10. Payables from exchange transactions

	2013	2012
Trade payables	12 800 641	17 598 284
Retention	5 343 884	4 135 986
Accrued bonus	761 682	727 016
Accrued expenses	1 131 166	56 587
Accrued expense 3	5 272 847	5 550 620
	25 310 220	**28 068 493**

11. Consumer deposits

	2013	2012
Water and Electricity	1 642 295	1 370 818

No interest is paid on consumer deposits.

Figures in Rand	2013	2012

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	4 091 834	14 408 466
Anglo-Boer Monument Grant	-	72 771
Bojanala Platinum District Municipality Grant	1 187 420	2 206 639
Department of Minerals and Energy Grant	-	6 393 288
Library Grant	242 767	236 883
MSIG	1 858	-
Provincial Infrastructure Grant	5 755 562	4 357 666
Bojanala Platinum District Municipality Support Grant	-	355 565
Financial Management Grant	(396 908)	(865 849)
Indigent Grant	(546 293)	-
Draught Relief Grant	-	3 715
Provincial Government Cleaning Campaign Project Grant	(48 081)	(48 081)
RDP Housing Projects	66 906	67 772
Transitional Grants	-	(12 572)
Expandable Public Works	(729 475)	-
	9 625 590	**27 176 263**

Movement during the year

Balance at the beginning of the year	27 176 263	27 182 122
Additions during the year	81 961 200	30 127 108
Income recognition during the year	(99 511 873)	(30 132 967)
	9 625 590	**27 176 263**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Figures in Rand	2013	2012

13. Provisions and Contingencies

Reconciliation of provisions and contingencies - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	1 243 095	7 756 905	-	9 000 000
Provision for settlement agreement	1 200 000	-	(1 200 000)	-
Provision for leave pay	2 125 180	346 975	-	2 472 155
Provision for long service awards	1 242 000	-	(46 961)	1 195 039
	5 810 275	**8 103 880**	**(1 246 961)**	**12 667 194**

The provison is classified as a current liability as the municipality has not obtained a license to operate all three landfill sites as yet.

Contingent Liabilities

The Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice.
The certainty and the timing of the outflow of these liabilities is uncertain. The amounts disclosed below are possible outflows of amounts:
Rehabilation costs: R 9 000 000;
Disconnection of electricity R 150 000;
Magalies water R 340 000;
Olivier Marie R 270 000

14. Unidentified direct deposits

This line item is a compilation of various smaller amounts from exchange and non-exchange transactions that are disclosed as a single line item for disclosure purposes.

15. Cash (used in) generated from operations

	2013	2012
Deficit	(29 971 407)	(8 074 047)
Adjustments for:		
Depreciation and amortisation	13 411 371	14 900 010
Debt impairment	17 008 575	5 536 233
Movements in retirement benefit assets and liabilities	(533 000)	-
Movements in provisions	6 856 919	2 443 095
Other non-cash items	7 513 698	5 534 345
Other non-cash items	200 557	478 361
Changes in working capital:		
Inventories	2 106 994	(1 057 910)
Receivables from exchange transactions	-	(1 561 917)
Other receivables from non-exchange transactions	509 657	4 921 051
Consumer debtors	(15 534 435)	(20 173 009)
Payables from exchange transactions	(2 758 273)	7 794 446
VAT	(545 427)	1 905 300
Unspent conditional grants and receipts	(17 550 673)	12 957 959
Consumer deposits	271 477	571 877
	(19 013 967)	**26 175 794**

Notes to the Financial Statements

Figures in Rand	2013	2012

16. Commitments

Authorised capital expenditure

Approved and Contracted for		
• Property, plant and equipment	10 232 365	13 139 248
• Services	-	198 100
• Open Orders	313 897	6 499 394
	10 546 262	**19 836 742**

Notes to the Financial Statements

17. New standards and interpretations

17.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	It is unlikely that the standard will have a material impact on the muncicipality's annual financial statements.
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	It is unlikely that the standard will have a material impact on the muncicipality's annual financial statements.
• GRAP 103: Heritage Assets	01 April 2012	
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	It is unlikely that the standard will have a material impact on the muncicipality's annual financial statements.
• GRAP 26: Impairment of cash-generating assets	01 April 2012	It is unlikely that the standard will have a material impact on the muncicipality's annual financial statements.
• GRAP 104: Financial Instruments	01 April 2012	It is unlikely that the standard will have a material impact on the muncicipality's annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Figures in Rand	2013	2012

18. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The defined benefit plans disclosed below are represented by the medical aid for retired employees. Also included in the obligation is the liability arising from the long service leave awarded to qualifying in-service employees.

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012
Opening balance	1 242 000	983 000
Current Service Costs	183 000	124 000
Acturial loss	33 961	158 000
Benefits paid	(122 961)	(110 000)
Interest Costs	101 000	87 000
	1 437 000	**1 242 000**

Key assumptions used

Assumptions used at the reporting date:

	2013	2012
Discount rates used	7,40 %	7,92 %
Consumer Price Inflation	5,66 %	5,74 %
Normal Salary increase rate	6,66 %	6,74 %
Net effective discount rate	0,70 %	1,11 %

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. IAS19 places the responsibility on management to set these assumptions, as guided by the principles set out in IAS 19 and in discussion with the actuary

Discount rate
IAS19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations."

19. Revaluation reserve

	2013	2012
Opening balance	478 361	478 361

20. Revenue

	2013	2012
Service charges	34 700 163	29 485 854
Rental of facilities and equipment	57 299	55 527
Licences and permits	3 886 793	3 226 440
Miscellaneous other revenue	421 511	2 531 913
Interest received	10 364 513	14 013 388
Property rates	4 472 277	4 082 281
Government grants & subsidies	48 328 099	45 318 637
Fines	2 161 665	1 675 032
Motor Fees TPA	14 529	3 526 809
	104 406 849	**103 915 881**

Notes to the Financial Statements

Figures in Rand	2013	2012

20. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	34 700 163	29 485 854
Rental of facilities and equipment	57 299	55 527
Licences and permits	3 886 793	3 226 440
Miscellaneous other revenue	421 511	2 531 913
Other income 1	10 364 513	14 013 388
	49 430 279	**49 313 122**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	4 472 277	4 082 281
Transfer revenue		
Government grants & subsidies	48 328 099	45 318 637
Fines	2 161 665	1 675 032
Other transfer revenue 1	14 529	3 526 809
	54 976 570	**54 602 759**

21. Property rates

Rates received

Property tax	4 472 277	4 082 281

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2014.

22. Service charges

Sale of electricity	25 016 796	20 373 984
Sale of water	5 269 660	4 914 149
Sewerage and sanitation charges	2 889 611	2 754 444
Refuse removal	1 524 096	1 443 277
	34 700 163	**29 485 854**

Notes to the Financial Statements

Figures in Rand	2013	2012

23. Government grants and subsidies

Equitable share	41 141 000	38 032 000
Bojanala Financial Support Grant	800 000	2 585 361
Financial Management Grant	1 031 059	1 822 632
Department of Mineral and Energy	161 372	-
Library Grant	463 153	260 458
Municipal Infrastructure Grant	2 460 914	1 672 051
Municipal Systems Improvement Grant	798 141	790 000
Local Government SETA transfer	472 460	156 135
Expandable Public Works Programme Grant	1 000 000	-
	48 328 099	**45 318 637**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 7 (2012: R 7), which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	14 408 466	27 432 483
Current-year receipts	20 137 000	16 600 000
Conditions met - transferred to revenue	(18 248 632)	(29 624 017)
Long term liability- National Treasury	(12 205 000)	-
	4 091 834	**14 408 466**

Conditions still to be met - remain liabilities (see note 12).

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

Anglo Boer War Monument Grant

Balance unspent at beginning of year	72 771	72 771
Conditions met - transferred to revenue	(72 771)	-
	-	**72 771**

Conditions still to be met - remain liabilities (see note 12).

Bojanala Platinum District Municipality Grant

Balance unspent at beginning of year	2 206 639	2 206 639
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(2 019 219)	-
	1 187 420	**2 206 639**

Conditions still to be met - remain liabilities (see note 12).

Departmment of Minerals and Energy

Balance unspent at beginning of year	6 393 288	6 393 288
Conditions met - transferred to revenue	(6 393 288)	-

Notes to the Financial Statements

Figures in Rand	2013	2012

23. Government grants and subsidies (continued)

	-	**6 393 288**

Conditions still to be met - remain liabilities (see note 12).

Library Grant

Balance unspent at beginning of year	236 883	236 883
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(494 116)	-
	242 767	**236 883**

Conditions still to be met - remain liabilities (see note 12).

The grant is to be utilised for the programme cost of the the library and other costs as per the library proposal.

Municipal Systems Improvement Grant

Current-year receipts	800 000	-
Conditions met - transferred to revenue	(798 142)	-
	1 858	**-**

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, and related Legislation, policies and the local government turnaround strategy.

Provincial Infrastructure Grant

Balance unspent at beginning of year	4 357 666	4 357 666
Current-year receipts	12 500 000	-
Conditions met - transferred to revenue	(11 102 104)	-
	5 755 562	**4 357 666**

Conditions still to be met - remain liabilities (see note 12).

BPDM Support Grant

Balance unspent at beginning of year	355 565	355 565
Conditions met - transferred to revenue	(355 565)	-
	-	**355 565**

Conditions still to be met - remain liabilities (see note 12).

Financial Management Grant

Balance unspent at beginning of year	(865 849)	(865 849)
Current-year receipts	1 500 000	-
Conditions met - transferred to revenue	(1 031 059)	-
	(396 908)	**(865 849)**

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

Notes to the Financial Statements

Figures in Rand	2013	2012

23. Government grants and subsidies (continued)

Indigent Grant

Balance unspent at beginning of year	-	23 406
Conditions met - transferred to revenue	-	(23 406)
Other	(546 293)	-
	(546 293)	**-**

Conditions still to be met - remain liabilities (see note 12).

Expandable Public Works Programme Grant

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 729 475)	-
	(729 475)	**-**

Conditions still to be met - remain liabilities (see note 12).

24. General expenses

Advertising	595 264	754 581
Auditors remuneration	2 948 256	1 747 007
Bank charges	455 059	316 478
Cleaning	2 496 740	230 750
Computer expenses	19 751	(1 123)
Consulting and professional fees	10 968 218	13 854 196
Consumables	827 764	442 016
Donations	2 241 592	23 006
Entertainment	206 386	486 364
Insurance	346 230	270 127
Lease rentals on operating lease	358 323	344 357
Levies	-	31 552
Fuel and oil	1 829 459	1 802 907
Postage and courier	707 267	442 428
Promotions	650	53 655
Protective clothing	230 632	419 310
Security (Guarding of municipal property)	1 909 189	1 742 977
Software expenses	2 935 379	2 772 887
Staff welfare	4 928	-
Subscriptions and membership fees	402 262	457 175
Telephone and fax	22 990	250 661
Training	175 709	208 834
Travel - local	1 388 508	1 628 364
Township development	886 675	1 170 649
Valuation Costs	60 999	84 904
Bursaries	11 970	316 405
Wca Assessment	-	760
Provision for bonus	2 551 666	3 811 016
Other expenses	1 178 104	3 991 148
	35 759 970	**37 653 391**

Notes to the Financial Statements

Figures in Rand	2013	2012

25. Employee related costs

Basic	22 940 250	5 640 960
Bonus	1 598 292	1 257 222
Medical aid - company contributions	1 697 508	1 485 493
UIF	238 670	197 250
SDL	278 161	4 359
Overtime payments	1 462 460	1 758 043
Housing benefits and allowances	1 170 413	1 485 691
Contributions	3 526 681	2 885 755
Group life insurance	69 917	67 166
Standby Allowance	426 744	237 459
Termination benefits	-	1 200 000
	33 409 096	**16 219 398**

Remuneration of municipal manager

Annual Remuneration	678 410	495 668
Contributions to UIF, Medical and Pension Funds	10 497	20 447
Allowances	238 137	204 587
Acting Allowance-Acting MM	163 546	-
Severance Package	-	1 079 254
	1 090 590	**1 799 956**

Remuneration of chief finance officer

Annual Remuneration	531 362	591 502
Contributions to UIF, Medical and Pension Funds	7 765	8 773
Allowances	136 125	185 991
Acting Allowance	174 744	-
Cellphone Allowance	3 000	-
	852 996	**786 266**

Acting and Cellphone allowance relates to amounts paid to two former acting CFO's for the period September 2012 to November 2012 and for period May 2013 to June 2013

Remuneration of executive directors

Annual Remuneration	958 472	788 568
Contributions to UIF, SALGA and SDL	17 438	13 904
Allowances	331 302	283 375
Acting Allowance	173 547	-
	1 480 759	**1 085 847**

26. Remuneration of councillors

Executive Mayor	632 898	3 109 649
Councillors	1 924 078	979 018
Councillors' pension contribution	245 932	104 163
	2 802 908	**4 192 830**

27. Debt impairment

Debt impairment	17 008 575	5 536 233

Notes to the Financial Statements

Figures in Rand	2013	2012

27. Debt impairment

Debt impairment	17 008 575	5 536 233

28. Investment revenue

29. Depreciation and amortisation

Property, plant and equipment	13 411 371	14 900 010

30. Finance costs

Trade and other payables	-	42 857

31. Auditors' remuneration

Fees	2 948 256	1 747 007

32. Bulk purchases

Electricity	19 440 456	19 708 888
Water	744 216	3 030 545
	20 184 672	**22 739 433**

33. Related parties

No transactions took place between the municipality and key management personnel or their close family members duing the reporting period. Details relating remuneration of key personnel is disclosed in the employee related cost note.

34. Risk management

Financial risk management

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.
The Council has overall responsibility for the establishment and oversight of the entity's risk management framework. The entity monitors and manages the financial risks relating to the operations of the economic entity through internal risk reports which analyse exposures by degree and magnitude of risks. The entity has exposure to the following financial risks from its use of financial instruments:
- credit risk
- liquidity risk; and
- market risk (including interest rate risk and price risk).

The economic entity seeks to minimise the effects of these risks in accordance with the economic entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

35. Unauthorised expenditure

Opening balance	17 279 500	17 279 560

Notes to the Financial Statements

Figures in Rand	2013	2012

36. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	755 438	42 857

Fruitless and Wasteful expenditure relates to interest charges incurred on late payments to Eskom, Auditor General and Magalies water.

37. Irregular expenditure

Opening balance	5 577 231	-
Add: Irregular Expenditure - current year	1 591 520	5 577 231
	7 168 751	**5 577 231**

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	15 137	110 634
Amount paid - current year	(15 137)	(110 634)
	-	-

PAYE and UIF

Opening balance	214 904	206 802
Current year subscription / fee	1 166 016	3 612 561
Amount paid - current year	(1 061 712)	(3 604 459)
	319 208	**214 904**

Pension and Medical Aid Deductions

Opening balance	3 060 816	567 496
Current year subscription / fee	2 849 541	7 182 151
Amount paid - current year	(5 210 156)	(4 688 831)
	700 201	**3 060 816**

VAT

VAT receivable	1 220 069	674 642

All VAT returns have been submitted by the due date throughout the year.

38. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. K.K. Tlale	1 447	-	1 447
Cllr. R.P Zwede	193	1 457	1 650
Cllr. M.L Molefe	745	4 211	4 956
Cllr. K.R Lekabe	868	5 059	5 927
Cllr. P.J Selolo	437	832	1 269
	3 690	**11 559**	**15 249**

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. O.D Medupe	2 626	-	2 626
Cllr. K.K. Tlale	1 286	4 447	5 733
Cllr. R.K Lekabe	3 145	30	3 175
Cllr. M.L. Molefe	340	1 033	1 373
Cllr. R.P Zwide	178	513	691
Cllr. P.J Selolo	9 476	9 853	19 329
	17 051	**15 876**	**32 927**

39. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

Detailed Income statement

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	22	34 700 163	29 485 854
Rental of facilities and equipment	21	57 299	55 527
Licences and permits		3 886 793	3 226 440
Miscellaneous other revenue		421 511	2 531 913
Other income 1		10 364 513	14 013 388
Property rates	21	4 472 277	4 082 281
Government grants & subsidies	23	48 328 099	45 318 637
Fines		2 161 665	1 675 032
Other transfer revenue 1		14 529	3 526 809
Total revenue		**104 406 849**	**103 915 881**
Expenditure			
Personnel	25	(33 409 096)	(16 219 398)
Remuneration of councillors	26	(2 802 908)	(4 192 830)
Depreciation and amortisation	29	(13 411 371)	(14 900 010)
Finance costs	30	-	(42 857)
Debt impairment	27	(17 008 575)	(5 536 233)
Repairs and maintenance		(11 801 664)	(10 705 776)
Bulk purchases	32	(20 184 672)	(22 739 433)
General Expenses	24	(35 759 970)	(37 653 391)
Total expenditure		**(134 378 256)**	**(111 989 928)**
Operating deficit		**(29 971 407)**	**(8 074 047)**
Deficit for the year		**(29 971 407)**	**(8 074 047)**
Attributable to:			
Owners of the controlling entity		(29 971 407)	(8 074 047)

The supplementary information presented does not form part of the financial statements and is unaudited

Segmental analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Opening Balance Corrections Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	36 328 720	-	-	-	-	-	**36 328 720**	(20 718 560)	(327 641)	-	-	-	**(21 046 201)**	15 282 519
Finance & Admin/Finance	19 869 695	127 712	-	-	(2 178 178)	-	**17 819 229**	(5 605 245)	-	-	(2 840 666)	(140 072)	**(8 585 983)**	9 233 246
Technical	193 300 154	1 505 490	-	(1 505 490)	-	**19 482 502**	**212 782 656**	(75 894 410)	-	-	(9 526 914)	-	**(85 421 324)**	127 361 332
Community Services	5 583 760	-	-	-	-	-	**5 583 760**	(2 933 580)	(170 181)	-	-	-	**(3 103 761)**	2 479 999
	255 082 329	**1 633 202**	-	**(1 505 490)**	**(2 178 178)**	**19 482 502**	**272 514 365**	**(114 389 420)**	**(497 822)**	-	**(12 367 580)**	**(140 072)**	**(127 394 894)**	**145 119 471**
Total	**255 082 329**	**1 633 202**	-	**(1 505 490)**	**(2 178 178)**	**19 482 502**	**272 514 365**	**(114 389 420)**	**(497 822)**	-	**(12 367 580)**	**(140 072)**	**(127 394 894)**	**145 119 471**

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	-	4 600 000	(4 600 000)	(100,0)	
Service charges	34 700 163	37 179 937	(2 479 774)	(6,7)	
Rental of facilities and equipment	57 299	29 000	28 299	97,6	More than expected number of bookings of halls and other public amenities was realized during the year under review.
	-	2 900 000	(2 900 000)	(100,0)	
Licences and permits	3 886 793	3 500 000	386 793	11,1	The municipality realized more revenue from registration of new vehicles and issuing of driving licenses
	-	46 440 000	(46 440 000)	(100,0)	
	-	100 000	(100 000)	(100,0)	
Miscellaneous other revenue	421 511	349 162	72 349	20,7	
Interest received	10 364 513	-	10 364 513	-	
Interest received - other	-	10 700 000	(10 700 000)	(100,0)	
	49 430 279	105 798 099	(56 367 820)	(53,3)	
Expenses					
Personnel	(33 409 097)	(35 304 324)	1 895 227	(5,4)	
Remuneration of councillors	(2 802 909)	(2 243 310)	(559 599)	24,9	An increase of 5% was approved as per the government gazette which was more than what was budgeted for.
Depreciation	(13 411 372)	(13 599 623)	188 251	(1,4)	Unbundling of infrastructure assets resulted in the increase in the actual depreciation account
Finance costs	-	-	-	-	
Repairs and maintenance - General	(11 801 664)	(7 188 658)	(4 613 006)	64,2	due to the dilapidated infrastructure, more funds were spent on fixing the problems associated with the infrastructure assets to ensure continued delivery of services to the communities.
Bulk purchases	(20 184 672)	(21 932 940)	1 748 268	(8,0)	The consumption for the current year was less than what was realized in the previous financial year.
General Expenses	(35 759 969)	(37 554 782)	1 794 813	(4,8)	due to cash flow constraints, austerity measures were put in place on non essential expenditure

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
	(134 378 258)	(117 823 637)	(16 554 621)	14,1	
Net surplus/ (deficit) for the year	(84 947 979)	(12 025 538)	(72 922 441)	606,4	

Budget Analysis of Capital Expenditure as at 30 June 2013

	Yearly			Yearly	
	Actuals Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	699 674	-	(699 674)	-	
Finance & Admin/Finance	1 012 514	2 950 000	1 937 486	**66**	high percentage due to unbudling of infrastructure.
Comm. & Social/Libraries and archives	810	-	(810)	-	
Public Safety/Police	10 392	-	(10 392)	-	
Waste Water Management/Sewerage	1 182 829	1 300 000	117 171	**9**	
Road Transport/Roads	4 137 648	8 935 000	4 797 352	**54**	high percentage due to unbudling of infrastructure.
Water/Water Distribution	1 695 000	10 471 000	8 776 000	**84**	high percentage due to unbudling of infrastructure.
Electricity /Electricity Distribution	105 764	2 510 000	2 404 236	**96**	high percentage due to unbudling of infrastructure.
Repairs and Maintenance	599	-	(599)	-	
Sanitation	2 872 189	6 325 000	3 452 811	**55**	high percentage due to unbudling of infrastructure.
	11 717 419	**32 491 000**	**20 773 581**	**64**	